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Monthly Report on Banking and the Financial System

Mariana A. Torán, Iván Martínez Urquijo, Jorge A. Campos Soto

1. Banking and Financial System[1]

Traditional bank deposit growth slowed in July, reflecting the slowdown in term deposits.

In July 2026, the balance of traditional bank deposits (demand + time deposits) reached a real annual growth of 2.3% (5.5% nominal), equal to the average growth rate recorded in Q2 2026, but lower than the growth observed the previous month (3.1%). Demand deposits contributed 1.7 percentage points (pp) to the growth observed in July, while time deposits contributed 0.6 pp.

Bank deposit growth continues to be affected by the negative accounting impact associated with the exchange rate appreciation. This impact in July was of the same magnitude as that observed in February, subtracting 1.0 percentage point from growth (compared to the 1.8 percentage point average observed in the first half of 2026). Once this effect is discounted, real annual growth in July would be 3.3% (6.6% nominal), falling below the average of 3.6% achieved in the second quarter of 2026 (7.7% nominal).

In July, **demand deposits recorded a real annual growth of 2.6%** (5.8% nominal), the highest growth rate recorded so far this year, significantly exceeding the average of 1.1% observed in 1H26. When clearing the accounting effect of the exchange rate, the performance observed in July was weaker than in 2Q26, (3.6 vs 2.8%).

By depositor type, demand deposits held by individuals registered real annual growth of 6.3%, while demand deposits held by businesses grew by 3.0% in real annual terms. In both cases, these rates were the highest observed so far in 2026. This increased dynamism reflects the reallocation of balances from time deposit instruments, which, as we will see later, slowed their growth after the rebound observed in June. For balances associated with the non-financial public sector, the contraction observed in the last six months lessened, reaching a real annual change of -1.1%, lower than the average decline observed in the first half of 2026 (-7.6%). Finally, demand deposits held by other financial intermediaries deepened their decline in July, reporting a real annual change of -19.1%, higher than the -1.7% observed the previous month and significantly below the average real growth rate for the first half of 2026 (1.0%).

[1]Based on information from Banxico and CNBV

In the seventh month of the year, **term deposits registered a real annual variation of 1.8%** (growth of 4.9% nominal)**,** This figure is significantly lower than the result achieved the previous month (6.6% real growth) and the average observed in the first half of 2026 (3.1%). Discounting the effect of the exchange rate appreciation also reveals less dynamism. After adjusting for this accounting effect, real growth in July reached 2.9%, lower than the average real growth rate observed in the first half of 2026 of 4.9%. This result suggests that the rebound observed the previous month was associated with a temporary liquidity management strategy rather than a sustained recovery in these types of savings instruments.

By depositor type, all segments of term deposits experienced reduced growth compared to June. For individuals, their balances slowed from a real annual growth rate of 5.2% to 1.9% in July. Meanwhile, corporate term deposit balances moderated their growth, falling from a real annual growth rate of 7.4% to 2.9% in July. In the case of the non-financial public sector, a significant reduction in term deposit instruments was recorded, with balances declining from a growth rate of 44.8% in June to a contraction of 15.6% in July. Finally, balances held by other financial intermediaries (OFIs) slowed their growth, falling from a real annual rate of 6.1% in June to 0.8% in July.

The observed decrease in time deposit balances resumes the downward trend seen between January and May 2026, as the variations observed in July are more in line with the gradual decrease in lending rates, which makes holding more liquid instruments, such as demand deposits, more attractive. The increase observed in July in demand deposit balances seems to point to this greater preference for liquidity in response to the decline in returns on time deposit instruments.

Holding shares in debt investment funds growth moderated in July, reaching a real annual growth rate of 5.8% (9.1% nominal), lower than the average real growth observed in the first half of 2026 (7.8%). The moderation in the growth of balances in these savings instruments could reflect several factors: on the one hand, a normalization after the vigorous growth observed between 2023 and 2025, when double-digit real growth rates were sustained; and on the other hand, the monetary easing cycle, as the decrease in interest rates has gradually reduced the relative attractiveness of debt instruments. Considering the performance of these instruments, **total deposits (traditional plus investment funds)** reached a **real annual growth rate of 3.2%** in July (6.5% nominal). This result is slightly below the growth observed in the first half of 2026, which was 3.4%.

The loan portfolio accelerated its growth, although with differentiated performance by segment

In **July 2026**, the outstanding balance of the loan portfolio granted by commercial banks to the non-financial private sector (NFPS) registered a **real annual growth of 2.9%** (6.1% nominal), in line with the dynamism observed in the previous month (3.0% real) and, in turn, higher than the growth rate recorded in the first half of 2026 (1.7% average real). The dynamism observed in the

outstanding loan portfolio is made up of the contribution of the credit to **consumption by 1.8 pp**, while the **mortgages** and **business loans** contributed **0.4 and 0.7 percentage points respectively**.

In July, the **outstanding consumer credit** achieved a real annual growth of 7.1% (10.4% nominal), lower than the 7.6% observed the previous month, explained by slower growth across all segments of this loan portfolio. The July growth rate, however, remains in line with the 7.2% average observed during the first six months of 2016. Of the real growth recorded in July, credit card loans contributed 2.8 percentage points, loans for the acquisition of durable consumer goods (ABCD) contributed 2.2 percentage points, payroll loans 1.2 percentage points, and personal loans contributed 0.8 percentage points, while other consumer loans contributed the remaining 0.1 percentage points.It should be noted that the growth observed in this portfolio presents a base effect due to the consolidation of the portfolio balance of neobanks from March 2026 onwards; discounting this effect, the real growth recorded in the seventh month of the year would be 6.2%.In other words, the incorporation of neobank balances contributes almost 1 percentage point (pp) to the overall dynamism of the consumer portfolio.

The **credit segment for the acquisition of durable consumer goods**(ABCD, 21.6% of consumer credit) showed less dynamism, registering a real annual growth rate of 10.3% (13.7% nominal), lower than the 10.6% observed in the previous month. The annual growth rate recorded in July is, in turn, lower than the average rate for the first half of 2026 (1H26) of 11.0%.

Auto loans (89.1% of the total ABCD portfolio balance) registered a real annual growth rate of 11.1%, lower than the 11.6% recorded the previous month. The rate recorded in July is, in turn, lower than the average rate for the first half of 2026 of 12.1%.Given that car sales growth in Q2 2026 was virtually the same as that observed in Q1 2026 (6.2% average annual growth), the slower growth rate of the balance could be associated with a faster amortization rate of loans than that of origination, or less origination by banks due to greater competition with brand finance companies, which in both cases would be reflected in a more moderate increase in current balances.

The segment of **personal property** registered a real annual growth rate of 4.4%, the highest rate recorded so far this year. The strong performance observed in the seventh month of 2026 is practically double the average rate for the first half of 2026 (2.3%), although still below the average dynamism of 2025 when this portfolio segment grew at an average annual rate of 9.1%. Going forward, it will be necessary to observe whether the signs of strengthening domestic demand prevail and stimulate demand for medium-term financing and spending on non-essential goods, thereby reversing the downward trend observed in the first six months of the year.

Meanwhile, the segment of **credit cards** reached a real annual growth of 7.8% (11.1% nominal), below the 8.2% recorded in June, although higher than the average growth rate for the first half of 2026 (7.1%). However, part of this growth corresponds to the effect of the consolidation of neobanks' loan portfolios starting in March 2026. Discounting this effect, adjusted growth would fall to 5.2%, just below the 5.5% average for the first half of 2026.

Credit card usage indicators also show stable performance. The transaction volume in July 2026 grew at an annual rate of 10.9% adjusted for inflation, in line with the average growth recorded during the second quarter of 2026 (10.9%). Meanwhile, the number of credit card transactions in July was 360.1 million, representing an annual growth rate of 19.4%, although this was below the average growth rate of 20.2% for the first half of 2026. In July, the categories that contributed most to the growth in transaction volume were those associated with essential spending (4.3 percentage points) and discretionary spending (2.2 percentage points).

Payroll and personal loans performance showed relatively stable dynamism compared to the previous month. **Payroll loans** registered a real annual growth rate of 5.2% in July (8.5% nominal). Thus, the dynamism recorded in the seventh month of the year exceeds the average growth rate at the close of the first half of 2026, when the average real growth rate stood at 4.9%.**Personal loans**, meanwhile, saw their real annual growth rate decrease from 6.1% in June to 5.5% in July (8.8% nominal). This indicates a sustained downward trend in personal loans throughout 2026. The figure observed in July is also lower than the growth recorded during the first six months of the year, when personal loans expanded at an average real annual rate of 6.7%.

The strong performance observed in payroll loans could be partly attributed to the pace of formal job creation, which halted the previous slowdown. In July, formal employment registered annual growth of 1.5%, below the 2.0% recorded in June but in line with the growth rate of the first half of 2026 (1.4%). With this result, its average growth during the first half of the year reached 1.4%, significantly above the 0.5% average recorded for 2025. Likewise, the higher real wage growth observed in July (3.5% year-on-year real growth) may have contributed to the improved performance of this loan portfolio, albeit to a lesser extent.

The outstanding housing loan registered a real annual growth rate of 1.7% (4.9% nominal), higher than the 1.5% recorded the previous month and well above the 0.9% real annual average for the first six months of the year. By credit segment, the outstanding balance of credit for middle-income and residential housing (96.1% of the total outstanding balance of housing credit) registered a real growth rate of 1.5% in July (4.7% nominal), which, although lower than the figure observed in June (2.0%), is significantly higher than the 1.1% observed during the first half of 2026.

Although the housing loan portfolio has reversed its downward trend in recent months, the observed growth rates are significantly lower than in previous years. While average real growth rates reached 3.1% and 2.1% in 2024 and 2025, respectively, the average growth rate in the first seven months of 2026 has reached only 1.0%. The moderate dynamism observed in housing credit could be associated with weak labor market indicators and the limited reduction in long-term interest rates.

Given that housing credit lags behind formal employment trends, the observed demand appears to be reflecting the employment conditions recorded in the first quarter of 2025, when employment growth rates continued to decline, averaging 0.7%. Meanwhile, real wages

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registered an annual growth rate of 3.5% in July 2026, the highest rate so far this year and in line with the 2025 average growth rate of 3.4%.

Additionally, mortgage interest rates have shown some downward rigidity, such that implicit portfolio rates remain close to 10.0% annually. These factors suggest that, in the short term, demand for housing credit will continue to show some weakness as formal employment growth rates remain low in 2025.continue This is reflected in the fact that the recovery of real wages will moderate and there will not be a significant decrease in long-term interest rates.

For their part, the **outstanding business credit** (52.4% of the outstanding portfolio in the SPNF) registered a year-on-year variation in real terms of 1.3% (4.5% nominal) in July, the second positive growth rate so far in 2026. With this, the July figure is significantly higher than the average growth for the first half of 2026, which stood at -0.6%. For its part, the Global Business Confidence Opinion Index (IGOEC) registered 48.2 points in the seventh month of the year, unchanged from the June 2026 indicator, and thus accumulating 17 consecutive months below the 50-point threshold.

By sector, in July, the services sector (56.9% of the total) contributed 2.4 percentage points to the growth rate of outstanding business loans, in line with the dynamism recorded the previous month (2.3%). The construction sector reduced its contribution to 0.6 percentage points, while the agricultural sector showed dynamism of 0.1%. The remaining sectors (mining, electricity, water and gas, and manufacturing) subtracted 1.8 percentage points from the overall growth due to the continued reduction in their outstanding loan balances. Furthermore, with the data observed in July, credit to the manufacturing sector has now slowed the growth of the total loan portfolio for eight consecutive months. The metal industry and non-metallic products were the subsectors that most significantly detracted from portfolio growth.

In its composition by coins, it is noteworthy that the outstanding portfolio in local currency (77.0% of outstanding corporate loans) achieved real growth of 3.1% in July (6.3% nominal), equal to the rate observed in the previous month and the average growth of 3.1% for the first half of 2026. Meanwhile, the outstanding portfolio in foreign currency registered a real annual contraction of 4.4%, equal to the contraction observed last month (-4.4%). In the case of the foreign currency portfolio, the contraction has moderated and is significantly less than that observed during the first half of 2026, when the outstanding foreign currency portfolio contracted by an average of 11.3%.

As observed in recent months, exchange rate fluctuations dampened the dynamism of the foreign currency portfolio. Without considering the effect of exchange rate appreciation, the real growth rate for July would have been 4.0%, the highest rate so far in 2026. In other words, the accounting effect of exchange rate appreciation on the foreign currency portfolio reduced growth by 8.4%. pp to dynamism. It should be noted that the portfolio in foreign currency represents 23.3% of the business portfolio.

For the total outstanding business loan portfolio, after adjusting for the accounting effect of the exchange rate, a real annual growth rate of 3.3% was observed in July, virtually the same as the dynamism observed the previous month (3.2%). This figure is, in turn, higher than the dynamism observed during the first half of 2026, when the outstanding business loan portfolio expanded at an average rate of 2.7%. The recovery of the various portfolios reflects the incipient recovery of domestic demand and employment; therefore, the consolidation of the improvement in economic activity will be fundamental to supporting greater dynamism in the various loan portfolios in the coming months.

The financial system maintains a solid position, with high levels of capitalization and liquidity.

According to the Bank of Mexico (Banxico) with information from *Financial Stability Report June 2026*, as of the end of March 2026, the total assets of the Mexican financial system registered a real annual growth of 2.3%, although with heterogeneous performance among institutions. Commercial banks continued to be the main participant, with 41.4% of the system's assets, although their assets contracted by 0.4% in real annual terms. In contrast, the Siefores (retirement savings funds), which represent 21.7% of assets, grew by 10.3% in real annual terms, while investment funds, with a 12.9% share, increased by 4.3%. The growth of insurance and surety bonds, at 5.3% in real annual terms, was also noteworthy.

Regarding the main risks for commercial banks, their performance during the first half of 2026 was generally favorable. Credit risk decreased slightly, while market risk increased and liquidity risk remained stable. Credit risk fell from 6.45% in December 2025 to 6.29% in March 2026, primarily due to a reduction in the probability and correlation of default in the consumer loan portfolio. Meanwhile, aggregate credit risk indicators remained low for the corporate, consumer, and mortgage loan portfolios.

Conversely, market risk registered a moderate increase. The 99.9% market CVaR, as a proportion of net capital, increased from 5.3% in September 2025 to 6.3% in March 2026, mainly due to changes in portfolio composition and greater exposure to interest rate movements. However, Banxico notes that market risk remains low relative to the regulatory capital of the banking system.

The Mexican banking sector continues to show ample levels of capitalization and liquidity. As of March 2026, the Capitalization Index (ICAP) stood at 20.32%, slightly below the 20.38% observed in September 2025. The decrease was explained by growth in risk-weighted assets exceeding that of regulatory capital, particularly due to the increase in assets subject to credit risk resulting from loan portfolio expansion.

In terms of liquidity, the aggregate Liquidity Coverage Ratio (LCR) remained close to 180% during the period covered by the report, almost double the regulatory minimum of 100%. Furthermore, all banks individually maintained levels above their regulatory requirements. Under a stress test involving severe deposit withdrawals, institutions representing approximately 91.8% of the assets of multiple banks would maintain an LCR above 100%. When considering both liquidity and solvency under stress, institutions representing approximately 89.4% of assets remain above both regulatory thresholds.

Regarding investment funds, as of May 2026, the system comprised 253 fixed-income funds and 386 equity funds, with assets under management totaling 5.4 trillion pesos, representing a 4.5% increase compared to the end of 2025. The sector maintains sustained growth and, according to Banxico (the Bank of Mexico), operates in an orderly manner. Funds with lower liquidity in their portfolios represented approximately 27% of the sector's assets, a proportion similar to that observed at the end of 2025 and concentrated primarily in equity funds.

Finally, the stress tests conducted by Banxico continue to show resilience of the banking system to severe adverse scenarios. For the exercise, three hypothetical macroeconomic scenarios were considered: a) a weakening of domestic consumption and investment; b) a slowdown in global economic activity; c) and a third stress scenario based on the macro-financial risks identified by Banxico. Additionally, three historical scenarios were analyzed, replicating the conditions observed during the 1995 crisis, the 2008 global financial crisis, and the COVID-19-related crisis. In all scenarios, at the aggregate level, the ICAP remains above the regulatory minimum at the end of the stress horizon; however, Banxico warns that some individual institutions could experience more significant impacts.

In general terms, Banxico concludes that the Mexican financial system does not present relevant vulnerabilities and that the banking sector maintains adequate levels of capital and liquidity to face adverse scenarios, although risks associated with the international macroeconomic and geopolitical environment persist.

2. Financial Markets

Strengthening internal sources of financing: a look at the magnitude of the 2020 pension system reform.

One of the main trends following the pandemic has been the increased reliance on domestic sources to finance the Mexican economy, particularly after the 2020 pension system reform came into effect. After external financing gained greater importance in the past decade through increased bond holdings by non-residents, between 2019 and 2025 the flow of financing from domestic sources increased from 4.4% to 7.9% of GDP, while that from external sources decreased from 1.0% to 0.9% of GDP, with negative figures between 2021 and 2023.

This trend could continue for several years, because beyond the fluctuations in global financial conditions, according to the 2020 pension reform, the largest increase in contributions to workers' individual accounts will not occur until 2030.

While estimates have been made in recent years regarding the future size of pension fund assets in terms of the economy, Banxico's most recent quarterly inflation report presents a more detailed table that allows for a more accurate assessment of the effects of the aforementioned reform. Specifically, it provides a clearer understanding of the extent to which this reform might increase domestic funding sources and which sectors and instruments of the local financial system it could most significantly impact in the coming years.

Based on the salary distribution of workers affiliated with the IMSS in 2026, simulations are calculated for the salary evolution of each individual for the period 2027 to 2030, while for the growth in the number of jobs, historical growth rates are used starting in 2028. In this way, the central bank estimates that by 2030 contributions to workers' individual accounts could amount to MXN 1.19 trillion pesos, a growth of 137% compared to the contributions observed in December 2025.

For the entire period of gradual increase of the contribution scheme of the reform, 2023 – 2030, it is estimated that the excess contributions compared to a hypothetical scenario without reform would amount to MXN 2.35 trillion.

Thus, if the surplus contributions for the 2026-2030 period alone, amounting to MXN 2.1 trillion, were invested according to the current investment regime of the SIEFORES (Specialized Investment Funds for Retirement Savings), an additional MXN 104 billion could be allocated to the debt securities of non-financial private companies over the next five years. This is equivalent to 1.6 times the growth of this market between 2021 and 2025. Furthermore, a surplus investment of MXN 483 billion could be made in equity markets, both in Mexico and the rest of the world.

In the case of government bonds, in which approximately 50% of SIEFORES' resources are currently invested, the amount invested could increase by up to MXN 1.06 trillion over the next five years. This figure represents 17% of the growth in total outstanding government bonds at face value between 2021 and 2025.

In other words, according to these estimates, domestic sources are expected to consolidate as the main source of financing for the economy, and external financing needs may be reduced. This could undoubtedly foster greater stability in the financial system by contributing to a more orderly absorption of shocks stemming from changes in global financial conditions, with less adverse effects on the prices of domestic financial assets.

As happened, for example, with long-term interest rates after the pandemic, whose movements were far from abrupt, despite the reduction in non-resident holdings of Mbonos, which went from around 60% in 2019 to 30% in 2024. Both SIEFORES and debt investment funds contributed significantly to these orderly movements.

However, it is important to note that even if internal sources of financing are strengthened by the pension reform, this does not mean that the assets managed by the SIEFORES will shield the Mexican economy from any external shock.

This is because, given the nature of their liabilities, pension funds (Afores) primarily invest in high-credit-quality instruments with long-term returns. In fact, as of the end of August 2026, pension funds held 44% and 59% of government bonds with nominal and real fixed rates and maturities of nine years or more, respectively, in addition to 95% of development capital certificates (CKDES).

While these institutional investors do have a stake in shorter-term nodes of the curve (around 15% in the case of nominal rate bonds), the majority of these instruments in the short and medium parts of the curve remain in the hands of banks, investment funds and non-residents.

Thus, it is undeniable that the 2020 pension reform will consolidate the participation of domestic savings in financing the economy and the role of SIEFORES (Specialized Investment Funds for Retirement Savings) as the country's main institutional investor. This could help to adjust domestic asset prices more effectively in the face of volatility shocks, especially with regard to long-term instruments, which are the natural focus of pension funds.

Looking ahead, it would be desirable to see both a greater supply of local financial instruments, especially from the capital market, and perhaps concomitantly, a greater flexibility in the investment regime of the SIEFORES that allows more resources to be channeled towards productive projects with positive profitability.

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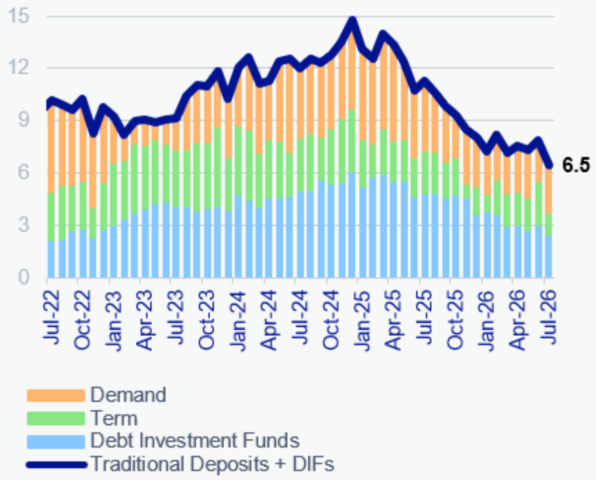
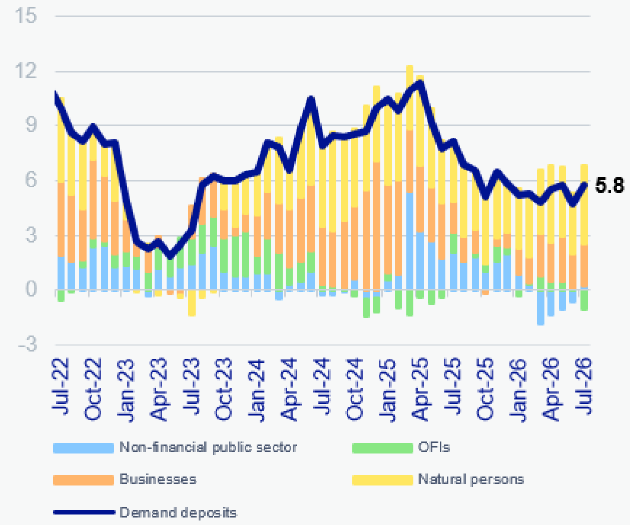
Capture: Graphics

TOTAL DEPOSITS FROM COMMERCIAL BANKS
(ANNUAL NOMINAL VAR,%)



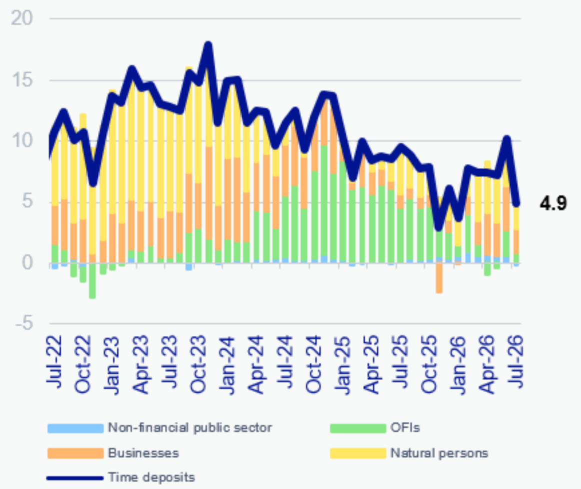
Source: BBVA Research with data from Banxico

DEMAND DEPOSITS
(ANNUAL NOMINAL VAR,%)



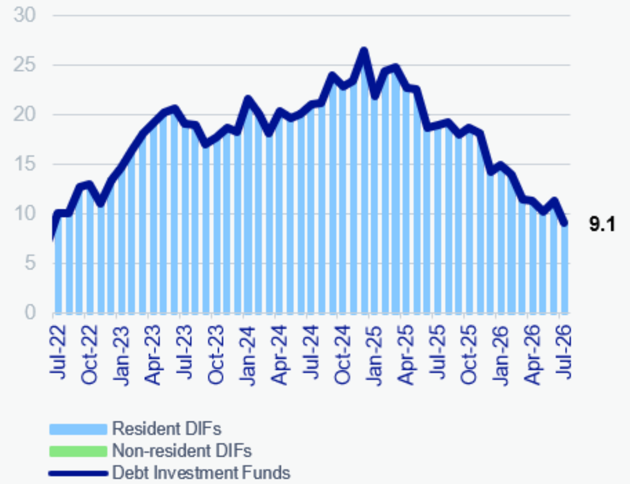
Source: BBVA Research with data from Banxico

TERM DEPOSITS
(ANNUAL NOMINAL VAR,%)



Source: BBVA Research with data from Banxico

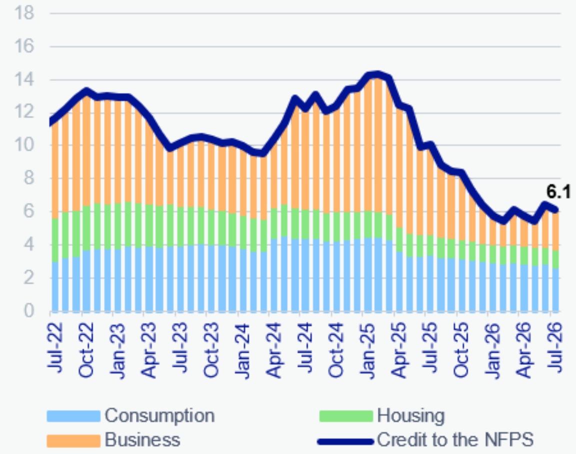
DEBT INVESTMENT FUNDS (DIFs)
(ANNUAL NOMINAL VAR,%)



Source: BBVA Research with data from Banxico

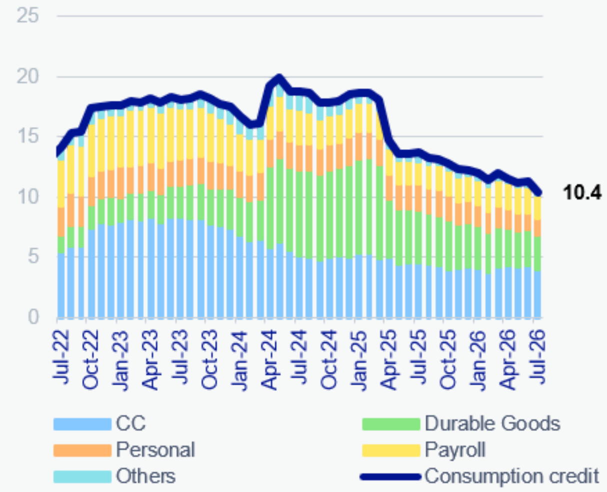
Credit: Graphics

OUTSTANDING BANK CREDIT TO THE SPNF
(ANNUAL NOMINAL VAR,%)



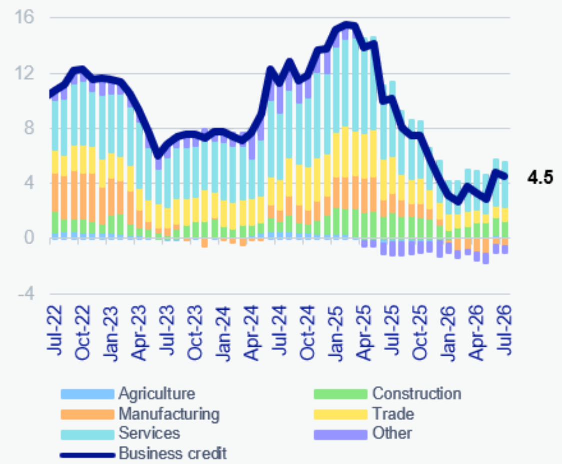
Source: BBVA Research with data from Banxico

OUTSTANDING CONSUMER CREDIT
(ANNUAL NOMINAL VAR,%)



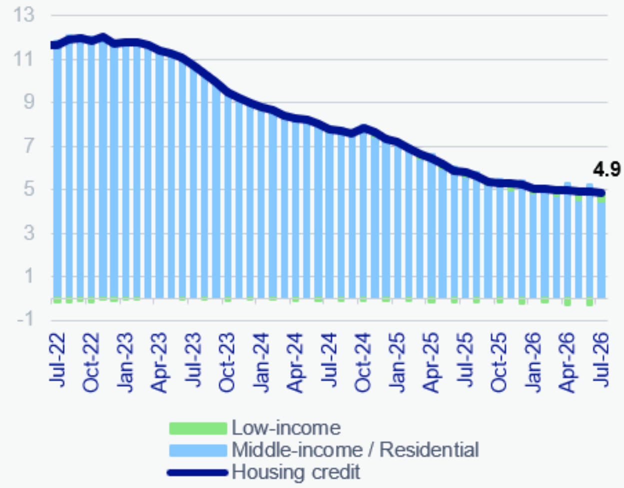
Source: BBVA Research with data from Banxico

OUTSTANDING CREDIT FOR COMPANIES
(ANNUAL NOMINAL VAR,%)



Source: BBVA Research with data from Banxico

OUTSTANDING HOUSING LOAN
(ANNUAL NOMINAL VAR,%)



Source: BBVA Research with data from Banxico

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